

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2364  
ANSWERED ON:07.12.2012  
INTEREST RATE ON CROP LOANS  
Das Shri Khagen

**Will the Minister of FINANCE be pleased to state:**

- (a) the details of prevalent rates of interest on crop loan in the country;
- (b) whether the Government proposes to slash interest rate on crop loans to farmers;
- (c) if so, the details thereof;
- (d) whether the farmers are not getting the benefits of conversion of crop loan into term loan due to drought, floods etc.;
- (e) if so, the details thereof and the reaction of the Government thereto; and
- (f) the remedial steps taken/being taken by the Government in this regard?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c): The Interest Subvention Scheme is being implemented by the Government of India since 2006-07 to make short-term crop loans upto Rs. 3 lakh for a period of one year available to farmers at the interest rate of 7 percent per annum. The Government of India has since 2009-10 been providing additional interest subvention to prompt payees farmers, i.e., those who repay their loans in time. The additional subvention was 1% in 2009-10, 2% in 2010-11 and 3% in 2011-12. Further, in order to discourage distress sales, the benefit of interest subvention was made available in the year 2011-12 to small and marginal farmers having Kisan Credit Card for a further period of up to six months post harvest on the same rates as available to crop loans against negotiable warehouse receipts for keeping their produce in warehouses. The Interest subvention Scheme for the year 2011-12 has been continued in 2012-13 as well.

(d) to (f): In order to provide relief to bank borrowers in times of natural calamities, Reserve Bank of India (RBI) has issued standing guidelines to banks. The relief measures, inter alia, include conversion of the principal amount outstanding in the short term loan as well as interest due for repayment in the year of occurrence of natural calamity into term loans for period ranging from 3 to 10 years depending upon the frequency of crop failures/intensity of damage to crops, etc.

In order to provide relief to farmers in drought affected areas, the Government of India has issued instructions on 17.09.2012 to banks that in cases where short term crop loans are restructured due to drought as per RBI guidelines, the interest subvention already available for short term crop loans will continue to be available for the current financial year on the full restructured amount. Such restructured loans will attract normal rate of interest from next financial year onward as per the policy laid down by the RBI.